

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:500 (March 2000).

§9003. Purpose

A. The purpose of this regulation is to allow for more flexibility in the placement of insurance with large commercial risks within the parameters of the admitted market by establishing an exemption from the form filing, review and approval requirements of the Louisiana Insurance Code, and to adopt the initial definition of an "exempt commercial policyholder". The exemption implemented under this regulation is experimental. It is predicated upon the continued existence of an open and competitive market and the good faith of insurers in carrying out the fiduciary obligations owed to their insureds.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:620F.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:500 (March 2000).

§9005. Scope and Applicability

A. This regulation applies to all authorized insurers engaged in the business of writing commercial risk property and casualty insurance in this state.

B. This regulation governs the circumstances under which an insurer may issue an insurance policy to a policyholder without first filing the forms with and obtaining approval of the Commissioner of Insurance.

C. The exemption granted by this regulation is limited in scope to certain commercial risk insurance issued to special commercial entities as provided for in Sections 9011 and 9013 of this regulation, respectively.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:3, LRS 22:620F.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:500 (March 2000).

§9007. Severability

A. If any section or provision of this regulation is held invalid, such invalidity shall not affect other sections or provisions which can be given effect without the invalid section or provision, and for this purpose the sections and provisions of this regulation are severable.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:3 and LRS 22:620F.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:500 (March 2000).

§9009. Definitions

A. For the purposes of this regulation the following terms shall have the meaning ascribed herein, unless the context clearly indicates otherwise:

Affiliated Group—means two or more persons who are owned or controlled directly or indirectly though one or more intermediaries by, or are under common control with, the person specified (i.e., the named insured) and includes a subsidiary.

Authorized Insurer—shall have the meaning found in LRS 22:5(13).

COI—means the Commissioner of Insurance for the State of Louisiana.

Commercial Risk—means any kind of risk that is not a personal risk.

Competitive Market—means a market in which a reasonable degree of competition exists or which has not been found to be in violation of LRS 22:1211 et seq. In determining whether a reasonable degree of competition

RULE

**Department of Insurance
Office of the Commissioner**

**Regulation 72—Commercial Lines
Insurance Policy Form Deregulation
(LAC 37:XIII.Chapter 90)**

In accordance with the provisions of LRS 49:950 et seq. of the Administrative Procedures Act the Commissioner of Insurance hereby adopts Regulation 72.

Title 37

INSURANCE

Part XIII. Regulations

**Chapter 90. Regulation 72—Commercial Lines
Insurance Policy Form Deregulation**

§9001. Authority

A. This regulation is adopted pursuant to LRS 22:620F.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:620F.

exists within a line of insurance, the COI shall consider the following factors:

- a. the number of insurers available to write the coverage;
- b. market shares of the leading writers and the changes in market shares over a reasonable period of time;
- c. existence of financial or economic barriers that could prevent new firms from entering the market;
- d. measures of market concentration and changes of market concentration over time;
- e. whether long-term profitability for insurers in the market is reasonable in relation to industries of comparable business risk; and
- f. the relationship of insurers' cost to revenue over a reasonable period of time.

Insurer—shall have the meaning found in LRS 22:5(2).

LDOI—means the Louisiana Department of Insurance.

LIRC—means the Louisiana Insurance Rating Commission.

Person—means an individual, a corporation, a partnership, an association, a trust, a joint stock company, an unincorporated organization, any similar entity, or any combination of the foregoing acting in concert.

Personal Risk—means homeowners, tenants, private passenger nonfleet automobile, mobile home and other property and casualty insurance for personal, family or household needs.

State—means the State of Louisiana.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:3 and LRS 22:620F.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:500 (March 2000).

§9011. Types of Coverage Exempt from Filing and Approval

A. All kinds of commercial property and casualty insurance, including but not limited to Commercial Property, Boiler and Machinery, Commercial Auto, General Liability, Directors and Officers, Business Owners and Inland Marine insurance, written on commercial risks are exempt from the filing and approval provisions of LRS 22:620 if the policy is issued to an exempt commercial policyholder as defined in Section 9013 of this regulation, except for the following kinds:

1. worker's compensation and employer's liability insurance;
2. professional liability insurance.

B. The exemption provided for in this section only applies to policy forms. Rate and rule filings must be made with the LIRC as required by law.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:3; LRS 22:620F and LRS 22:1403.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:501 (March 2000).

§9013. Special Commercial Entities

A. *Special Commercial Entity*—means a person who meets the criteria for an exempt commercial policyholder.

B. An *Exempt Commercial Policyholder*—means any person who applies for or procures commercial risk insurance, of the kinds provided for in Section 9011, and meets the following criteria:

1. Has and maintains aggregate annual commercial insurance premiums, excluding worker's compensation and employer's liability, and professional liability insurance

premiums, of more than two hundred thousand (\$200,000) dollars in the preceding fiscal year. In determining whether this threshold has been met, premiums paid to one or more insurers are to be added together to reach the total aggregate.

2. At the time the policy is issued the policyholder must have

- a. if a single company not less than fifty (50) employees;
- b. if a member of an affiliated group not less than one hundred (100) employees collectively;
- c. if a municipality a population of not less than fifty thousand (50,000); and,
- d. if a public entity an operating budget of not less than twenty (\$20,000,000) million dollars for the most recently completed calendar or fiscal year whichever applies.

3. Has signed the certification form as provided for in Section 9015B of this regulation.

C. Beginning January 1, 2001, the criteria in Subsection B of this Section must be reviewed on an annual basis by the COI for the purposes of determining whether the criteria should be modified. The review must be completed on or before the 31st day of March.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:2, LRS 22:3. LRS 22:620F.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:501 (March 2000).

§9015. Disclosure Requirements and Certification Form

A. When soliciting, negotiating or procuring a policy of insurance with an exempt commercial policyholder the agent or broker, or the insurer in cases of direct placement, shall disclose to the policyholder and the policyholder's risk manager, if any, on a form created by the insurer, that a policy form may be used which is exempt from the form filing requirements of the Louisiana Insurance Code.

B. When a policy of insurance is issued or delivered to an exempt commercial policyholder, the insurance agent or broker, or the insurer in cases of direct placement, shall obtain from the policyholder a written certification on the form prescribed below. The certification form must be in not less than ten-point type, and it must be dated and signed by a senior officer or manager of the policyholder and the policyholder's risk manager, if any.

Louisiana Certification of Exempt Commercial Policyholder Status

Pursuant to Louisiana Regulation 72

The undersigned _____, (the Insured) certifies to _____ (the Insurer) that the Insured meets the criteria below and is an Exempt Commercial Policyholder under Louisiana law. The Insurer may issue a commercial risk insurance policy to an Exempt Commercial Policyholder without filing the policy form with the Louisiana Department of Insurance and the Insurer by signing below certifies that it has the necessary expertise to negotiate its own policy language. The policy must still comply with Louisiana law, and complaints or questions about compliance may be directed to the Louisiana Department of Insurance (1-800-259-5300).

In order to be an Exempt Commercial Policyholder, the Insured must:

1. Execute this Certification Form and return it to the Insurer.
2. Acquire the insurance policy through an insurance agent licensed in Louisiana.
3. Meet the following requirements:
 - Have and maintain aggregate annual commercial risk insurance premiums, excluding workers compensation and employer's liability and professional liability insurance premiums of more than two hundred

thousand (\$200,000) dollars in the preceding fiscal year. In determining whether this threshold has been met, premiums paid to one or more insurers are to be added together to reach the total aggregate.

- At the time the policy is issued the policyholder must have (a) if a single company not less than fifty (50) employees; (b) if a member of an affiliated group not less than one hundred (100) employees collectively; (c) if a municipality a population of not less than fifty thousand (50,000); and, (d) if a public entity an operating budget of not less than twenty (\$20,000,000) million dollars for the most recently completed calendar or fiscal year whichever applies.

Signed: _____

Date: _____

Printed: _____

Title: _____

Risk Manager: _____

C. The disclosure notice and certification form required by this section shall be effective for the life of the policy or policies, including renewals, unless the deductible, or policy limits or coverage is significantly modified, in which case a new certification form must be executed.

D. A copy of the certification form shall be maintained by the insurer and by the producing agent or broker in the policyholder's record for a period of five years from the date of issuance of the insurance policy or renewal policy if at renewal a new certification form is executed. The insurer or producing agent or broker shall make such certification forms available for examination by the COI or any person acting on behalf of the COI.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:2, LRS 22:3, LRS 22:620F, LRS 22:1211 et seq. and LRS 22:1301.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:501 (March 2000).

§9017. Requirements for Maintaining Records

A. Any insurer who places insurance with an exempt commercial policyholder, pursuant to this regulation, shall maintain a record on the exempt commercial policyholder. The record shall contain, in addition to the certification form, the following information: any data, statistics, rates, rating plans, rating systems and underwriting rules used in underwriting and issuing such policies; a copy of the policy with date of issuance clearly marked; annual experience data on each risk insured, including but not limited to written premiums, written premiums at a manual rate, paid losses, outstanding losses, loss adjustment expenses, underwriting expenses, underwriting profits, and profits from contingencies; and a record of all complaints including the date the complaint was made, the name of the complainant, the nature of the complaint and the final resolution.

B. The record required by this section may be kept in electronic or written form and shall be maintained by the insurer for a period of five (5) years from the date of issuance of the insurance policy or renewal policy if a new certification form is required pursuant to §9015C. Upon request, the insurer shall produce such record for examination by the COI or any person acting on behalf of the COI.

AUTHORITY NOTE: Promulgated in accordance with LRS 2:2, LRS 22:3, LRS 22:1211 et seq. and LRS 22:1301.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:502 (March 2000).

§9019. Exempt Policy Forms

A. Commercial risk property and casualty policy forms which would otherwise have to be filed with and approved by the COI are exempt from this requirement if issued to an exempt commercial policyholder. The exemption of the policy form from the requirement that it be filed with and approved by the COI is not to be taken by an insurer to mean that an insurance contract effected by the use of such a policy form, or policy forms, may in any manner be inconsistent with the statutory law of this state or public policy as expressed by the courts of this state.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:2, LRS 22:3, and LRS 22:620, and 22:1211 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:502 (March 2000).

§9021. Penalties for Failure to Comply

A. The exemption created by this regulation is a limited one and insurers must strictly comply with the conditions creating the exemption. Failure to comply with the regulation by any person subject to its provisions, after proper notice and a hearing held by the COI, may result in the imposition of such penalties as are authorized by law.

AUTHORITY NOTE: Promulgated in accordance with LRS 22:2, LRS 22:3, LRS 22:620; LRS 22:1211 et seq., LRS 22:1115 and LRS 22:1457.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 26:502 (March 2000).

The regulation takes effect April 1, 2000.

James H. "Jim" Brown
Commissioner of Insurance